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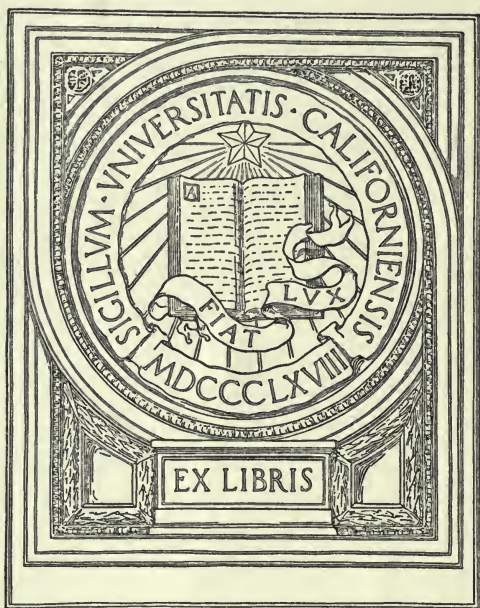
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THE
GREAT RAILWAY CONFLICT.

REMARKS

OF

JOHN W. GARRETT,

PRESIDENT,

MADE ON APRIL 14TH, 1875,

AT THE

Regular Monthly Meeting of the Board of Directors

OF THE

BALTIMORE AND OHIO R. R. CO.

PRINTED BY ORDER OF THE BOARD.

BALTIMORE:
THE SUN BOOK AND JOB PRINTING ESTABLISHMENT.
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REMARKS
OF
JOHN W. GARRETT,
PRESIDENT,

*Made on April 14th, 1875, at the Regular Monthly Meeting of
the Board of Directors of the Baltimore and Ohio R. R. Co.*

GENTLEMEN :

In connection with the declaration of the usual semi-annual cash dividends of five per cent. on the main stem and on the Washington Branch of the Baltimore and Ohio Company, I congratulate you upon the splendid and singularly satisfactory results of the hostilities waged by the Pennsylvania Railroad Company against this Company.

We have the returns of the earnings of the main stem and branches for the month of March, during the whole of which the efforts of the Pennsylvania Company to injure our interests were made with their highest ability, and the result shows an increase in the gross earnings of the Baltimore and Ohio Company, for that month over the same month in 1874, of \$103,-773.92.

Notwithstanding the largely-diminished charge for passengers, the results show an increase of revenue upon the main stem, from this source, of 45 per cent.

The earnings of the Chicago Division are also shown to be \$100,624.81, being an increase of more than 50 per cent. upon the revenue of the preceding month.

The developments of this controversy have proven to be of the highest importance not only to railway companies generally, but to the leading interests of the country, and the gravity of the subject makes proper a further sketch of its origin and history.

It is well known that the refusal of the Baltimore and Ohio Company to enter into the Saratoga agreement on the occasion of the visit of Presidents Vanderbilt, Jewett and Scott to Baltimore, in November last, was very unsatisfactory to those gentlemen and the companies which they represented.

In reply to the arguments used on that occasion to induce this Company to become a member of that combination, your President stated that, in declining to join their combination, he believed he was serving not only the best interests of this Company, but the permanent interests of the New York Central, the New York and Erie, and Pennsylvania Companies. For he stated that if the four great trunk lines should join in that organization, with the power which they could exercise over connecting lines, it would be regarded by the people as a combination against their interests, and that, as a result, there would be a combination of the people against the railways of the country, and that, through the courts, which are the exponents of the conscience and interests of the public, and through the representatives of the people, in legislatures and in Congress, hostile action would be induced which would more than counterbalance the advantages that would flow from the increased rates which

could be commanded through so powerful an organization. The able President of the New York Central road responded that there was much force in this view.

Whilst, however, declining to become a member of that combination, your representative urged the viciousness of fast freight lines, expressed his conviction that they were vampires upon the railway system, and that their irregular and fraudulent action would interfere with the maintenance of reasonable and proper understandings in reference to freight rates. He also cordially agreed to the abolition of commissions on freight and passengers, and to discarding middle men generally, believing that the public should have the lowest rates that railway companies could properly work for, and that there should be no parties intervening between the railways and the public.

For a short time subsequent to that conference the general views thus agreed upon were carried out, but it soon became apparent to the officers of the Baltimore and Ohio Company that the fast freight lines were violating the agreement, and that the Baltimore and Ohio Company was suffering largely in its business from this cause, especially in all the Eastern cities. The Baltimore and Ohio Company was ultimately compelled to protect itself against these infractions of the agreement in order to maintain its business; and it demonstrated the accuracy of its statements in regard to those infractions. It also continued to maintain its right to fix the rates for transportation between its Eastern and Western termini. Its determination to establish the rate from Chicago to Baltimore at 35 cents per one hundred pounds proved a subject of great dissatisfaction to the Northern lines, and ultimately led to a decrease of the rates between Chicago and Eastern cities much below those which had been required by the three Northern lines during preceding winters.

Complaints were made by officers of the Pennsylvania road regarding reduced rates from Baltimore by this Company, and the Baltimore and Ohio Company demonstrated that the fast freight lines of the Pennsylvania road had been guilty of breaking down those rates through their previous actions.

As an illustration of the views of the Pennsylvania Company as to what it styled "a violation of the agreement," I submit the following correspondence between Mr. A. J. Cassatt, Third Vice President of the Pennsylvania Railroad Company, and Mr. John King, Jr., Vice-President of the Baltimore and Ohio Company, in regard to the tariff on petroleum, viz :

PHILADELPHIA, December 19th, 1874.

JOHN KING, JR., ESQ., *Vice President* :

My Dear Sir—In our conversation yesterday, I omitted to say anything in reference to the rates at which you are carrying oil from Pittsburg to Baltimore. It is generally understood that your rate is eighty cents per barrel, a cut of forty-eight cents below our net rate to Philadelphia.

We do not understand that petroleum forms any exception to the agreement between our companies by which equal rates shall be maintained between all competing points. We cannot, therefore, regard your present rate on petroleum otherwise than as a violation of the agreement, and must ask that you will be kind enough to give this matter your attention, and advise us of your conclusions.

Yours, very truly,

(Signed)

A. J. CASSATT.

BALTIMORE, December 22d, 1874.

A. J. CASSATT, ESQ., *Third Vice-President Pennsylvania Railroad Company*:

My Dear Sir—I beg to acknowledge the receipt of your favor of the 19th inst., and to state in reply that we cannot admit that we are "cutting rates" on coal oil from Pittsburg to Baltimore.

When the advance on coal oil rates was made from the oil regions and Pittsburg to New York, Philadelphia and Baltimore, we were not consulted. Had we been, we should have expressed the views we now hold, viz: That there is nothing in the situation of the coal oil trade to cause this advance in the rates of transportation. Doubtless, the Northern lines had what they regarded good reasons for making this advance. We have not changed our rates; but the Northern trunk lines, acting with entire independence of us, have increased theirs to suit their own views. Surely, when there was nothing agreed to by the Baltimore and Ohio Company on this subject, there can be no violation of an agreement on its part.

Yours, very truly,
(Signed) JOHN KING, JR., Vice President.

In this case the combined roads made an enormous advance in the tariff for transportation of petroleum, without notice to the Baltimore and Ohio Company, and without reference to its wishes or judgment, and then claimed that the Baltimore and Ohio Company acted improperly, when it simply continued its tariff, which had been in force for more than two years past without alteration.

It is true that the maintenance of moderate rates on petroleum, when the parties to the Saratoga agreement had made a prodigious advance, produced very marked results on the trade of Baltimore. The statistics show that the exports of refined oil

from Baltimore from January 1st to March 29th, 1875, were 5,025,505 gallons, and that the exports of refined oil from Baltimore from January 1st to March 29th, 1874, were but 340,722 gallons, and that the gain, therefore, was 4,684,783 gallons. Was it not the vast increase of this business in Baltimore, caused by the moderate and judicious action of the Baltimore and Ohio Company in regard to this tariff, which aroused the criticism of the Pennsylvania Company? This case illustrates largely the tone and character and reasonableness of the criticism and hostile action of the Pennsylvania road towards the Baltimore and Ohio Company. But the Baltimore and Ohio Company, with its admirable equipment, its superior roads, and its effective lines to the great centres of trade in the Southwest and the West and the Northwest, in commanding simply that to which it was fairly entitled from its enterprise, became more and more an object of jealous hostility on the part of its competitors. Palpably they resolved that it must be controlled, and the history of the case shows that the distinguished President of the Pennsylvania Railroad Company was the volunteer who undertook to control and reduce to submission the Baltimore and Ohio Company. Like Don Quixote with the windmills, with his single spear he determined to control or demolish the Baltimore and Ohio Company! His absolute confidence in achieving the proposed victory, evidently induced the representatives of the New York Central and the New York and Erie Companies to give him all the power and scope he asked; and, gentlemen, what has been the consequence? Is it not known to all that the chief point in the policy of the Baltimore and Ohio Company has been to build up the trade of Baltimore? And this champion of the Saratoga combination has given to the Baltimore and Ohio road, by his course, the most splendid success in all its history, in enabling it to accomplish with so much greater rapidity its grand object! To punish

the Baltimore and Ohio Company, what course did he adopt? He reduced the rates from Baltimore to the West to *one-half*—and in some cases to *much less than one-half*—the charges from Philadelphia and New York and Boston to the same cities; and thus he made the Pennsylvania Railroad Company, the special representative of the city of Philadelphia, aid directly the Baltimore and Ohio Company to achieve the leading object of its policy with a success that has attracted the attention of the whole country! He has given to the opening of the Chicago extension of the Baltimore and Ohio road an advertisement, a significant conspicuousness, and gained for it a power and prestige and fame for unparalleled usefulness which years of its own efforts could not have effected! He has placed before the nation the fact that the Baltimore and Ohio Company has lines so commanding in their influence that the Pennsylvania Company, controlling, as stated in the report of its investigating committee, 5,933 miles of railway, representing a capital of \$398,267,675.22, has been compelled to subordinate itself and throw its whole power into building up the city of Baltimore at the expense of its own city of Philadelphia and other Eastern cities!

How gratifying, gentlemen, to see around you, notwithstanding the calamitous depression of trade in other cities, the activity, vigor and extent of business transacted in your midst! Our manufacturers and our merchants are largely prospering under the effects of what was designed as mere hostility to the Baltimore and Ohio Company. And the Pennsylvania Railroad Company, following the lead of our Company, has made its passenger rates so low to Baltimore, in order to drive the Baltimore and Ohio Company from its position, that large numbers of business men from all parts of the country are coming to Baltimore to reap the advantages of the low charges both for travel and transportation. But may not the valiant knight have so entangled his lance

in the intricate machinery which he has attacked, that, instead of the "pulverization" of the Baltimore and Ohio Railroad Company, other grave and large interests may be approaching in a terrible manner that condition?

Within a short time we have seen the announcement that the Pennsylvania Company has ceased to pay interest on the enormous sum of more than fifteen millions of dollars of bonds of the Columbus, Chicago and Indiana Central Railroad Company, and it is also notified within a few days past, that, at the annual meeting of the Pittsburg, Cincinnati and St. Louis Railroad Company (its important Pan Handle route), resolutions were unanimously adopted declaring the income of that road insufficient to pay the interest on the several mortgage bonds due 1st April, 1875; and defaults of payment of interest and principal by this Company also are alleged to have taken place to the further and alarming extent of ten millions of dollars!

We know full well that the rates fixed by the Pennsylvania Railroad Company in Baltimore are utterly unremunerative to that road, that fifteen cents per hundred pounds from Baltimore to Chicago—with large amounts of drayage and labor paid in many cases—cannot fail to produce great losses, when that sum is divided between the Northern Central, the Pennsylvania and the Pittsburg, Fort Wayne and Chicago roads. Such rates may produce a catastrophe to their great road from Pittsburg to Chicago, similar to that which has already fallen upon their two great and leading lines to which reference has been made, the bonds of which have heretofore been held and regarded as practically guaranteed by the Pennsylvania Railroad Company.

We must confess, gentlemen, that the stock and debt representing the capital of the Baltimore and Ohio Company present figures insignificant when compared with the immense proportions of the stock and indebtedness—without reference to the

prodigious aggregate of liabilities guaranteed—of the Pennsylvania Railroad Company. Were it wealth instead of debt, the figure representing the stock and indebtedness of that Company would be magnificent indeed. Whilst the Baltimore and Ohio Company has \$13,000,000 of common stock and \$4,000,000 of six per cent. preferred stock, the Pennsylvania Company shows, of stock alone, on which its shareholders expect dividends to be continued, \$68,719,400. The New York Central and Hudson River Railroads represent also enormous figures—more than eighty-nine millions of stock—and the New York and Erie Railroad represents over eighty-six millions of stock, in addition to their respective mortgage indebtedness.

Parties connected with the Pennsylvania road cry aloud against the alleged ruin brought by the Baltimore and Ohio Company on the railway interests of the country; but, gentlemen, it is the Pennsylvania Company that is responsible for these low prices. It established these unremunerative rates for the purpose of driving the Baltimore and Ohio Company from its policy of independence, and the results will show that the famous hero of La Mancha produced as much effect on the wind-mills as President Scott will produce by his reckless action upon the thoughtfully-considered and well-established policy of the Baltimore and Ohio Railroad Company.

Let the battle go on! Already the consumers and producers in all parts of the United States have had their attention directed to the economies of the port of Baltimore, and its ample supplies of goods of every description at the lowest prices; and to the fact that it has a great line of railway absolutely determined (as it has comparatively and assuredly the power to do) to maintain at all times moderate rates for the transportation of imports and exports to and from the port of Baltimore. This determination is based upon wise and just principles, and will result in

enforcing its policy, which will make the entire country appreciate that Baltimore presents another great and economical port on the Atlantic, with vast and increasing advantages, and furnishes the cheapest and best entrepôt for large sections of the South and Southwest, the West and Northwest.

The only apology that has been urged by the Pennsylvania Railroad Company for its extraordinary proceeding in refusing accommodations upon the Camden and Amboy line, (which it controls as a monopoly between Philadelphia and New York, and on which its charges in many instances are double what they will be when an effective competing line is established,) for the freight and passenger business of the Baltimore and Ohio road, is its allegation in connection with the use of the Washington Branch prior to the construction of the Baltimore and Potomac road. To demonstrate not only the injustice, but the gross misrepresentation made on this subject, a copy is submitted of a letter written when these misstatements were made in the Congress of the United States, and when adverse legislation was urged because of these statements made then in the interests of the Pennsylvania Railroad Company. This letter was addressed to the Hon. Reverdy Johnson, then a Senator from Maryland, and is as follows :

“BALTIMORE, 29th March, 1867.

“*My Dear Sir*—I am obliged for your esteemed favor of 27th instant.

“Baggage is checked at our Washington station for Philadelphia, New York, etc., and for all points in the West by our main stem.

“The complaints to which you refer are doubtless in reference to travel *via* Harrisburg and the Pennsylvania road, as by all other lines the arrangements are as perfect as practicable.

"You are aware that the Pennsylvania Company is not merely a rival, but a hostile interest. The Baltimore and Ohio Company can furnish no through checks for baggage by the Northern Central road, which is controlled by the Pennsylvania road, except arrangements be made with the officers of the latter Company. This Company has for years been entirely willing to make the requisite arrangements to check baggage through from Washington to all points desired by the Northern Central and Pennsylvania roads, making but one proviso, which is usual under similar circumstances, viz: That if tickets are sold and baggage be checked at our Washington station, the Pennsylvania road shall cease to maintain separate and antagonistic offices in Washington.

"This reasonable and proper arrangement has not been accepted, although I have repeatedly called the attention of the leading directors of the Northern Central road to its necessity and propriety.

"I fully accord that the public should be accommodated upon this subject, and I am equally satisfied that the Northern Central Company would cordially coöperate, if not adversely controlled by the Pennsylvania Company. It would, of course, be useless to cause this Company to maintain additional rival offices and meet the needless expensiveness of the present system in Washington, if tickets to all points, by either road, at the option of the passenger, could be obtained at our Washington station.

"As the fault of the failure to effect the proper arrangement lies entirely with the Pennsylvania road, I will be obliged if you will make the requisite explanations to such parties as are interested.

"I am, with great regard,

"Very truly yours,

"J. W. GARRETT, President.

"Hon. Reverdy Johnson, U. S. S., Washington."

This letter was read by Senator Johnson in the Senate, published at the time, and no reply whatever made by the Pennsylvania Company.

The impregnable truth and accuracy of these statements prevented even any attempt to attack them, and show conclusively the injustice of the slanders which are again being uttered on this subject.

Perhaps no better illustration of the ability of the Baltimore and Ohio Company to compete with the Pennsylvania Company need be shown than to call attention to their much vaunted Baltimore and Potomac road. This enterprise, which has only a single track line—and that single track certainly not of the best character—in connection with its expenditures on part of the tunnel in the city of Baltimore, and its totally unremunerative track to Pope's Creek, represents—as officially stated by the Stockholders' Investigating Committee—a cost, in stock and debt, of *nine millions, eight hundred and eighty-eight thousand, seven hundred and thirty-six dollars*!! The Washington Branch of the Baltimore and Ohio Company, which the learned writers in behalf of the Pennsylvania Company (in publications apparently by the authority of that Company) criticize as an “unavailable asset,” is a strictly first-class, double-tracked road, with the best steel rails, and the most durable masonry and bridges, thirty-one miles in length from the Viaduct to Washington, and is represented by a capital of *one million six hundred and fifty thousand dollars*.

Another contrast of economy of working seems to show the ability of the Baltimore and Ohio Company to maintain itself in any competition which the Pennsylvania Company may desire. President Scott states that his charge for terminal expenses, viz : for the deliveries and transfers at New York, by putting cars on floats between Jersey City and New York, of *five cents per hundred*

pounds, "is not sufficient to cover the actual cost of the work done." The Baltimore and Ohio Company has a similar transfer performed in the same manner between Locust Point and Canton, and the actual cost of this transfer is *less than the half of one cent per hundred pounds*. Surely there must be strange elements in this "actual cost" on the part of the Pennsylvania Railroad to make it loom up into such an extravagantly comparative figure.

Every artificial obstruction placed in the way of traffic from the Baltimore and Ohio road to Philadelphia and New York serves to add business to Baltimore, and daily increases the great sympathy and support of the West and the South, and leads to sustaining the Baltimore and Ohio road and the City of Baltimore, for the clear reason that bonds of mutual interest are being thus effectively strengthened. Obstruct the movements of passengers and freight between Baltimore and Philadelphia and Baltimore and New York, and those very passengers stop at Baltimore, examine its advantages as a market, purchase their goods, avail of the low freights from this city, and become its customers and cordial friends.

An epoch has been reached in the history of this struggle, and the varied attacks of the single knight have proven to be disastrous failures. He has recently been reinforced by the representatives of the New York Central and the New York and Erie Companies; and now it is not only a battle of one railway company against another railway company, but it is a struggle to maintain the policy of the Baltimore and Ohio Company against the combined power of the greatest railways on the continent, representing with their associate lines, more than seven hundred millions of capital! But the very fact that they do represent \$700,000,000 of capital will be the cause of the failure of the combined attack, and the very fact that the Baltimore and Ohio Company represents so limited

a capital, with such grand and effective lines under its management, makes victory on its part certain.

This is not the first great struggle in which the Baltimore and Ohio Company has been involved with these lines. At the commencement of its present administration efforts were made to enlarge the business of the road, and rates were fixed from Baltimore lower than the rates from Northern cities to the Western centres of commerce, upon the plain and strong grounds of the geographical advantages of this city. Those eminent and able railway officers, the late Erastus Corning, Dean Richmond and J. Edgar Thomson, agreed upon a programme to force the Baltimore and Ohio Company to charge the same rates from Baltimore as they charged from New York and Philadelphia. That was a very great controversy. The President of the Baltimore and Ohio Company called the attention of the officers of the New York Central Railroad, in convention, prior to the commencement of that conflict, to the fact that the city of Baltimore was, by a singular coincidence, exactly the distance nearer to Cincinnati than the distance from New York to Cincinnati, of 298 miles—the entire distance between Albany and Buffalo—and that they demanded that the Baltimore and Ohio Company should charge for its distance, thus 298 miles shorter, equal to the whole length of their line, the same rate for transportation. Reckless rates were then made by that hostile combination against the Baltimore and Ohio road. But what was the result? A loss of millions to those lines in that protracted conflict, and the ultimate establishment of the fact that common sense and the laws of trade must govern on all such subjects, and that from that day to this hour no serious effort has been made by those lines to force that principle (at that period pressed with so much pertinacity) again on the attention of this Company.

Whether this conflict continues for a long or a short period, gentlemen, I judge it will be your determination that the policy of preserving the independence of this Company shall be maintained. As your executive, I deem it a privilege to battle, and, if necessary, to make sacrifices for the great object in view.

Our stockholders are largely identified with the interests of Baltimore and with the interests upon our lines. The massive business pouring over our roads gives employment to the many thousands in our service. The pay of our employees, in the States through which our lines pass, is distributed among the farmers, the tradesmen, and the general population. We aid progress everywhere, build up all our local interests, and add to the prosperity of our great, growing and beautiful city. Are we expected to decline the maintenance of our views, the maintenance of fixed policies, based on sound principles, when the worst efforts that the Pennsylvania Company can make against us are shown to be that they are compelled to aid us in building up the city of Baltimore, and in making it understood in every direction throughout the country that Baltimore presents the greatest advantages and inducements for commercial transactions?

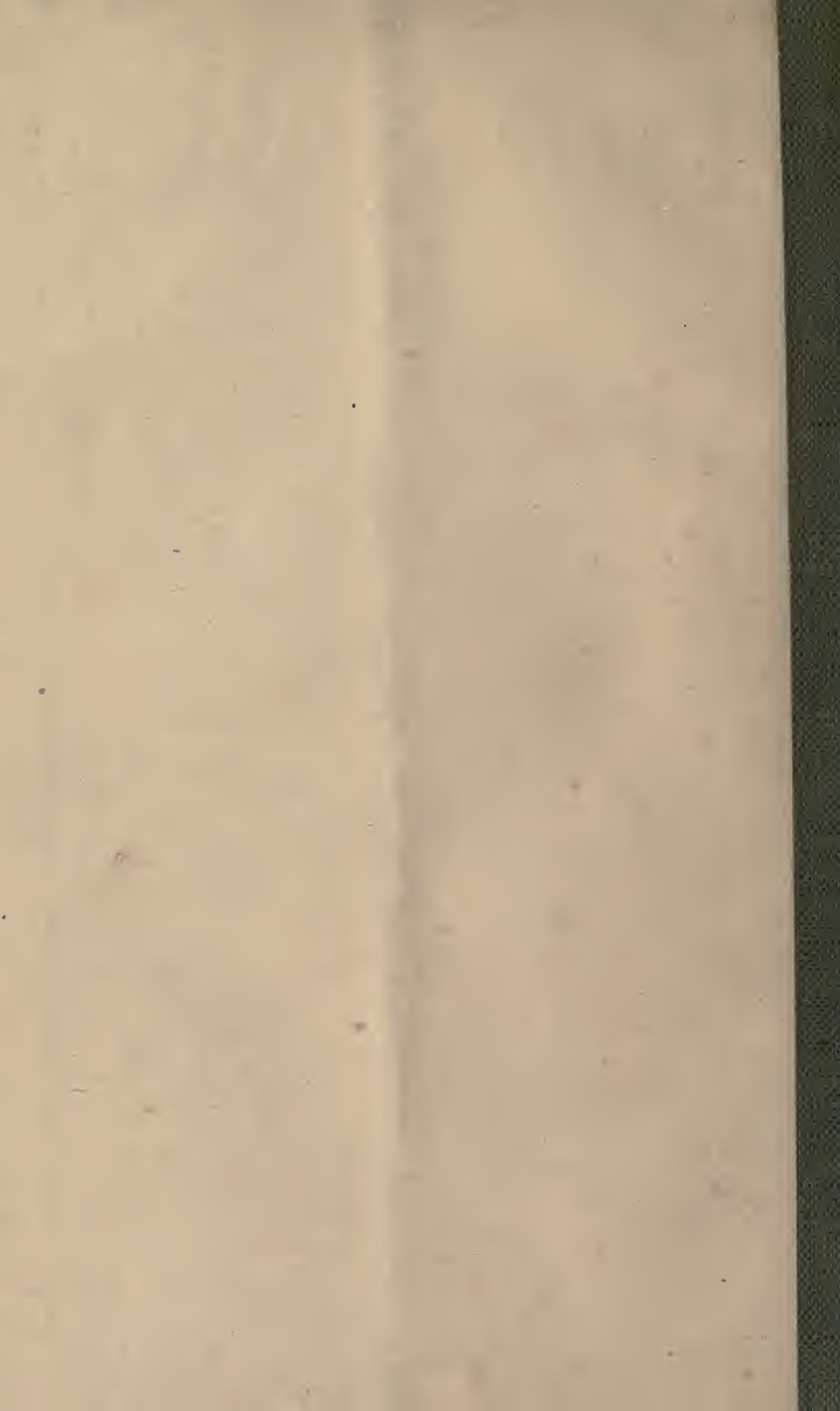
We have the satisfaction of knowing that at this period, investors from New York, Chicago and other cities are purchasing real estate in our suburbs, and merchants from many quarters are arranging to transfer their homes to our city; and among the gratifying results attendant upon these railway difficulties are the constant and increasing prosperity of our community.

President Scott has addressed to me the statement that he believes the railway officers and the stockholders who may be injured will hold the President of the Baltimore and Ohio Railroad responsible for this "policy of destruction."

What is this "policy of destruction?" The reduction of rates in Baltimore to one-half the prices charged in Philadelphia and

New York to Western cities—and this policy was originated by him and has been continued by him. Other difficulties and reductions followed from this cause. “Facts are stubborn things;” and the judgments of men are governed by facts and not by erroneous assertions. If the vast railway fabric which, legitimately or illegitimately, has been built up or controlled by the Pennsylvania Railroad Company, shall be broken down by the folly of these proceedings, history will record that the responsibility for the failures to pay dividends and interest on the stock and bonds of the roads involved—which I regret to anticipate will cause the ruin and misery of thousands of helpless and innocent investors and victims—is with President Scott, and that the continuance of this state of things rests with him and the Directors of the Pennsylvania Railroad Company, and that no part of that responsibility, ruinous as the results may prove to vast interests, will attach to the managers of the Baltimore and Ohio Railroad Company.

After remarks by Messrs. Banks, Cheston and others, sustaining the policy and action of the Company, a resolution was unanimously adopted by the Board of Directors, approving of the maintenance of the policy of the Company by President Garrett, and ordering the address to be printed in pamphlet form.



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